September, and the document will be presented at the Bi-Annual Regulatory Information Conference in Columbus, Ohio. A copy of that document will be filed as an ex parte comment in this docket.

38. How should the proxy model evolve to account for changes in the definition of core services or the technical capabilities of various types of facilities?

To the extent that a proxy model is adopted as the basis for high cost assistance, the specifications of the proxy model should also be revised concurrent with any change in the definition of core services, to assure that costs of the proxy network reflect the technical capabilities necessary to provide the core services. For instance, if ISDN is added to the core service definition, the hypothetical network should include that capability ubiquitously, and the model should include the attendant costs.

The model should be revised periodically to reflect presently available technology and capabilities, while also recognizing that network architecture and infrastructure is evolutionary. The network architecture that provides least cost service should be modelled, while also recognizing the physical attributes of the service area and regulatory obstacles and market barriers to use of any particular technology. For instance, "fixed" wireless loop may be less costly than conventional wireline, but spectrum has not, as yet, been allocated to this use.

The proxy method should, eventually, model a network that has greater capabilities than simple voice grade services provided over a twisted wire pair. A hybrid fiber/coax network may, for instance, have capability to provide broadband services that are not included in the definition of core services. High cost assistance should recognize the opportunities for economies of scope

40. If a proxy model is used, what measures if any, are necessary to assure that urban rates and rates for rural and insular at high cost areas are reasonably comparable as required by § 254(b)(3) of the 1996 Act?

In order to ensure that rates are reasonably comparable, the rates in urban, low-cost areas of the country must be used as the benchmark for determining funding for universal service. It would be reasonable, subject to monitoring, to assume rural rates

will be reasonably comparable to average urban rates if high cost assistance is provided to rural areas in an amount equal to the difference in cost between the respective rural area and the urban benchmark. However, since the statutory standard is reasonably comparable rates, rather than cost, the FCC should monitor rates on an on-going basis, and adjust the universal service assistance mechanism to the extent necessary to assure comparability of rates.

In addition, state commissions, on behalf of customers in high cost or insular areas, should be allowed to petition the FCC for a waiver of the universal assistance rules, and such waivers should be granted to the extent that the proxy calculations are demonstrated to not provide a reasonable opportunity for achieving reasonably comparable rates. It is appropriate for state commission to act as petitioners because no service provider may have a compelling interest in petitioning.

41. How should support be calculated for those areas (i.e., insular areas and Alaska) that are not included under the proxy model?

The BCM-2 model is currently being expanded to include modeling for both insular areas in Alaska.

42. Will support calculated by using the proxy model provide sufficient incentive to support infrastructure development and to maintain quality service?

Not always. Small companies sometimes have uneven capital investments over time. Except for that fact, support calculated by using the proxy model should provide adequate incentive to the extent that it actually reflects the high cost of serving remote rural and insular areas. In *ex parte* comments that will be filed on August 9, the Maine Public Utilities Commission will be proposing several significant changes to the benchmark price model to ensure that sufficient high cost funding is available to maintain quality service. Furthermore, the benchmark for high cost support will have to be set at the urban cost levels in order to ensure that sufficient funds are available for infrastructure development and to maintain quality service in the rural areas.

43. Should there be recourse for companies whose book costs are substantially above the cost projected for them under the proxy model?

If the model is modified, as we expect Maine will suggest, to include all the factors which contribute to high costs, such recourse should not be necessary because those companies serving high cost areas will receive sufficient support under a proxy method to cover their book costs.

The Commission should establish a process whereby state commissions can petition for a waiver to use actual costs or adjusted proxy costs, rather than proxy costs generated by the model, to the extent that the costs appear to be underestimated or do not result in reasonably comparable rates.

44. How can a proxy model be modified to accommodate technological changes?

From time to time the proxy model should be re-normed to reflect several factors. These may include recognition of technology changes, particularly if wireless technology becomes optimized for service in rural areas. The model should also be recalculated from time to time reflecting current costs as well as current practices in designing feeder and distribution systems. As long as the model chooses the least cost technology at the time the model is run, the model will self-correct for technology changes.

Benchmark Cost Model (BCM)

56. How do the book costs of incumbent local exchange carriers compare to the calculated proxy costs of the benchmark price model for the same areas?

Based on comparison of results in Maine, BCM-1 did not correlate well with book costs. However, with the modifications made to the benchmark cost price model in BCM-2, the correlation is much better. With the modifications which the Maine Public Utilities Commission will be proposing later in this docket, the correlation between historical costs and the modeled costs using BCM-2 as modified may improve further.

57. Should the BCM be modified to include non-wire line provided services? If wireless technology proves to be less costly than wireless facilities should rejected costs be capped at the level predicted for use of wireless technology?

Yes, the BCM should be modified to include non-wire line provided services. However, wireless technology costs should only be applied where wireless technology can obtain a quality of service equal to or better than conventional wireline technology. There are many mountainous or remote areas in the country where the use of wireless technology is impracticable. There are also "radio quiet zones" where wireless technology cannot, by law, be used. The model must accommodate the high costs for wireline facilities in these areas where the employment of wireless technology would deliver poor quality service or is otherwise not feasible or cannot be used because of legal restrictions.

58. What are the advantages and disadvantages of using a wire center instead of a Census Block Group as the appropriate geographic area in projecting costs.

In some areas wire centers may be better to use than census block groups because the area are smaller. This is particularly true in the extremely rural areas where census block groups are likely to contain several wire centers and where the BCM approach using census block groups does not recognize the fact that there may be several wire centers and several switching vehicles within a CBG. In the more urban areas, the use of the census block groups are preferable because they are smaller than wire centers and they reflect the different cost distinctions which may occur within a fairly non-homogenous wire center. The disadvantage could be in acquiring accurate demographic and topographic information on wire center serving areas. The grid data used by Pacific Telesis or other data sources might address this disadvantage.

59. The Maine PUC and several other state commissions propose the inclusion of the BCM of the cost of connecting the exchanges to the public switch network to the use of microwave trunk or satellite technologies. These comments also propose the use of an additional extra high cost variable for remote access areas not accessible by road. What is the feasibility of viability of incorporating these changes into the BCM?

Both of these additions to the BCM are critical if the BCM or the BCM-2 is to accurate predict the cost for high cost areas. It will not be difficult to calculate the cost of connecting very remote exchanges into the public switch network since the cost for these transport facilities providing service to remote areas are fairly well known. A variable for areas not accessible by road can also easily be incorporated into the model in very much the same way as the variable for slope has already been incorporated into BCM-2.

62. The BCM appears to compare unseparated costs, calculated using a proxy methodology, with a nationwide local benchmark rate. Does use of the BCM suggest that the costs calculated by the model would be recovered only through services included in the benchmark rate? Does the BCM require changes to existing separations and access charge rules? Is the model designed to change as those rules are changed? Does the comparison of model costs with the local rate affordability benchmark create an opportunity for over-recovery from universal service support mechanisms?

The BCM does compare unseparated costs with a national benchmark rate. This comparison is acceptable so long as the national local benchmark rate is inclusive of the subscriber line charge. Therefore, the national benchmark rate (cost) should be equal to the cost using the benchmark pricing model to model the cost for urban areas. The additional funds provided for using the unseparated costs should be treated like the current universal service fund as a credit to intra-state revenue requirement and therefore, a separations to change to incorporate this type of change will be required. More costs should be allocated to the intra-state jurisdiction to account for amount of funding that is required. Other than that, we do not see than any change will be needed to separations if the BCM is used for high cost fund for termination purposes. Of course, the existing high cost fund mechanism using average loop cost as well as DES would have to be ended and replaced by a separations paradigm using the new BCM model.

63. Is it feasible or advisable to integrate the grid cell structure used in the cost proxy model proposed by Pacific Bell into the BCM for identifying terrain and population in areas where the population density is low?

Yes, it is not only feasible but we believe preferable to use the grid structure identified in the Pacific Bell model. Low population density areas will then have there costs identified on a much less granular basis. This would also assure that each area in low population density areas is properly assigned the correct wire center as well as outside plant facilities attributable to that area covered by the grid.

Cost Proxy Model Proposed by Pacific Telesis

64. Can the grid cell structure used in the CPM recently identified population distribution in sparsely populated areas?

See answer to number 63.

65. Can the CPM be modified to identify terrain and soil type by grid cell?

Yes, this can be done by integrating the grid cell methodology into the BCM-2 model.

66. Can the CPM model be used on nationwide basis to estimate the cost of providing residential service?

Yes, by identifying the grid concept into the BCM-2 model this can be accommodated.

SLC/CCLC

69. If a portion of the CCL charge represents a subsidy support of universal service, what is the total amount of the subsidy? Please provide supporting evidence to substantial such estimates.

The CCL charge represents the recovery of a portion of the embedded costs of providing loops to residential and business customers. As such, it does not represent a subsidy. In economic parlance, a subsidy only occurs if a service is priced at less than its long run marginal cost. Based on Commission decisions in Maine, New Hampshire and Washington state, current residential and business rates for local exchange service exceed their long run marginal cost for these services. Therefore, the CCL charge does not represent a subsidy for residential or business local exchange service.

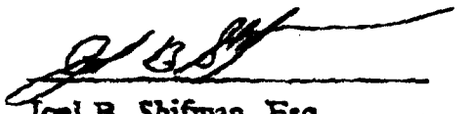
70. If a portion of the CCL charge represents a contribution to the recovery of loop costs. Please identify and discuss alternatives to the CCL charge for recovery of those costs from all intra-state telecommunications providers.

An alternative to using the CCL charge for recovery was expressed in detail on pages 17-22 of the Joint Comments of the Maine Public Utilities Commission, Montana Commission, Alaska Public Service Commission, New Hampshire Public Utilities Commission, New Mexico State Corporation Commission and Utah Public Service Commission, the Vermont Department of Public Service and Public Service Board and the Public Service Commission of West Virginia. In summary, we recommend recovery of costs currently recovered through the CCL and through the subscriber line charge be recovered in the future through a charge to be assessed on the presubscribed interexchange carrier for that particular subscriber line.[13]

[13] Montana abstains from comment on this question because it has a similar question pending before it in state proceedings.

Respectfully submitted,

for the
MAINE PUBLIC UTILITIES COMMISSION



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FCC NPRM CC Docket No. 96-45
Comments on Specific Questions
August 1, 1996

for the

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The Wyoming Public Service Commission has reviewed the within and foregoing responses to additional specific questions propounded by the Common Carrier Bureau of the Federal Communications Commission in CC Docket No. 96-45 on July 3, 1996, and supports those responses. Witness our signatures this first day of August, 1996.

PUBLIC SERVICE COMMISSION

STEVE ELLENBECKER, Chairman

DOUG DOUGHTY, Deputy Chairman

KRISTIN H. LEE, Commissioner

Certificate of Service

I, Peter M. Bluhm, hereby certify that on this 11th day of April, 1996, copies of the foregoing comments of:

the state of Maine Public Utilities Commission,
the state of Montana Public Service Commission,
the state of New Mexico State Corporation Commission,
the state of Utah Public Service Commission,
the State of Utah Division of Public Utilities
the state of Vermont Department of Public Service and
Public Service Board, and
the Stae of Wyoming Public Service Commission

were served by first class mail, postage prepaid, to the parties listed on the attached service list.

Peter M. Bluhm

Dated: August 2, 1996

Attachment: Service List

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